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Workshop: Training on Bargaining Over Health Insurance in Higher Education

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NEA

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NATIONAL CENTER

for the **Study of Collective Bargaining in Higher**
Education and the Professions

HUNTER

The City University of New York

Higher Education Health Care Case

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Session Agenda

1. Introductions (5 minutes)
2. Key health care-related bargaining trends and concerns (10 minutes)
3. Explanation of exercise (10 minutes)
4. Initial group work (35 minutes)
5. Full labor group meets and full management group meets (30 minutes)
6. Presentations and discussion (30 minutes)

Instructions

Workshop presenters will break participants into small groups representing management or labor. This initial small-group work will consist of coming up with potential proposals based on the health plan data provided and the following scenario. Each group will list their proposals.

Following the initial small-group work, all management groups will come together to fine-tune their ideas and come up with a single list of written proposals. Labor will do the same. Some ideas from the initial small groups may fall off the final list.

The final step will be for labor and management to present their final list for full-group discussion.

Points to Consider

You may or may not decide to explicitly address these in your proposals, and you will undoubtedly come up with ideas that are not here.

- Structural issues
 - Finding savings within existing contracts or finding alternative arrangements
 - HDHPs—balancing labor-friendliness and employer cost-savings
 - Low-hanging fruit (emergency room) vs. more-complicated provisions (managing hospital stays, smaller networks, changes in care management programs, etc.)
 - Gradations of prescription drug changes (copay differences, closed formularies, care management programs, optimizing PBM contract terms, etc.)
- Employee costs
 - At what point do increases in cost-sharing materially change employer cost?
- Interactions
 - Adverse selection with different plan choices
 - Costly drugs that decrease medical utilization
 - How out-of-pocket costs can influence utilization
- Responses
 - How to respond to (management or labor) proposals
- Cost-saving programs
 - Wellness
 - Disease management
 - Provider selection
- Effective/ineffective reopener language
- Information needed
 - Comparables
 - Legal/statutory changes
 - Plan cost-drivers over time
 - Pitfalls with information

Higher Education Health Care Case

In upcoming contract negotiations, the same management team will bargain health benefits with each of the unions. For their part, the unions, which each have separate bargaining teams, want to come up with a single health care-related proposal. For these purposes, management has established several small groups to come up with bargaining ideas. Labor has also established a series of small groups drawn from multiple unions. Here is some background to consider:

1. University College is a large state higher education institution with an enrollment of about 23,000 and a staff of about 5,000 of which about 3,000 are eligible for health care benefits. In addition, there are about 1,250 retirees who are also eligible for health care, about 1,050 of whom are Medicare-eligible and therefore receive Medicare-supplemental benefits. The Medicare-eligible retirees and their Medicare-eligible dependents receive the same benefit level as the in-service and pre-Medicare retirees with Medicare as primary under a coordination-of-benefits approach.
2. The College is in a state that maintains a group health benefits plan for state, school district, local government and other public sector employees, including University College. Health benefits are insured, as a matter of state law, and provided by the state's Blue Cross Plan. Participation in the state health plan is mandatory for the state but optional for local government employees and other public sector entities, like University College. Table 1 is a summary of the state health plan's benefits to active employees and pre-Medicare retirees.
3. The College is in a rural part of the state and is the largest employer in the region. In addition to the state's Blue Cross Plan, this part of the state is served by Aetna and two regional managed care organizations.
4. The College has employees represented by three national labor unions and two independent unions. While the five bargaining agreements contain different language, all reference participation in the state health benefits plan, in two cases along with alternatives an employee or retiree can elect. Different bargaining agreements have different contribution requirements to participate. Cost-sharing arrangements are summarized on Table 2. All bargaining agreements require the continuation of health care into retirement, although different agreements have different eligibility rules and contribution requirements.
5. The state health plan has a number of participation rules, among them the following:
 - a. The state health plan is pooled. In other words, all employers pay the same rates for the same plan of benefits regardless of each employer's experience. Current monthly rates are noted below in point 6.
 - b. Any employer can offer employees an alternative to the state plan only if:
 - 1) It is part of a collective bargaining settlement,
 - 2) At least 30% of the benefits eligible population elect to join the state plan and
 - 3) There cannot be an alternative to Medicare-primary retired plan members unless it is also available to all retired plan members.

6. The state health plan is set in collective bargaining with the state's two major unions, neither of which is affiliated with any of the unions representing the college's employees. In the past three years, the state health plan's cost has been averaging increases of over 11% per year. The current monthly rates, which are split between the college and employees/retirees under the terms of the various collective bargaining agreements, are:

| | |
|---|------------|
| Individual | \$1,019.94 |
| Family | \$2,333.49 |
| Medicare primary individual | \$455.11 |
| Medicare primary family | \$1,203.80 |
| Family with one Medicare-primary | \$1,768.64 |

7. There is no expectation of the state health plan's trend normalizing, and the College is looking for budget relief for its health care costs. The total current health care expense (including employee/retiree contributions) is noted on Table 3.
8. While the cost of the state health plan is problematic, the College has reviewed its own experience. Due to the age of the active workforce and their health, it has found that the College's claims cost has been averaging 8% more than the College's (and plan member's) premium to the state health plan. This makes establishing a separate health plan challenging for the College.
9. The College noted that the state health plan's Medicare-primary rates are higher than the likely cost of a Medicare-supplement program providing the same level of benefits. Further, the College has learned that a competitive Medicare Advantage Plan is likely to cost about 15% less than a Medicare-supplement program.
10. While the College cannot only replace the Medicare-supplemental coverage, it can fully replace all retiree coverage. The College obtained the rates for pre-Medicare retirees as well as for a comparable Medicare Advantage Plan indicated on Table 4.
11. The College's eligible retiree population yields the annual savings noted on Table 4. This is about 6% of the retiree health care expense and about 1.2% of the total annual health care expense (including employee/retiree contributions). Table 3 summarizes the College's total 2018 cost for their total eligible population.

Table 1: Summary of Benefit Terms

| | | Coverage Terms | |
|-------------------------------|--------------------------------------|---|--|
| Benefit Category | | In Network | Out of Network |
| General | Deductible | None | \$1,000 per covered person; separate \$250 deductible for Managed Physical Medicine Program |
| | Out of Pocket Maximum | \$4,650 for Hospital/Medical/MH/SA; \$2,500 for Rx Single; \$9,300 and \$5,000 for Family | \$3,000 per covered person; \$1,000 per covered person for the Managed Physical Medicine Program |
| | Lifetime Maximum | Unlimited | |
| | Coinsurance | 100% | 90% Hospital, 80% Physician |
| Preventive Care | Routine Adult Physical/Immunization | 100% | 80% physical, Immunizations not covered |
| | Routine Well Child Exam/Immunization | 100% | 80% |
| | Routine gynecological care exams | 100% | 80% |
| | Routine Mammograms | 100% | 80% |
| | Womens Health (OBGYN) | 100% | 80% |
| | Colorectal screening | 100% | 80% |
| | Routine Eye Exams | 100% | 80% |
| Physician Services | PCP Office Visit | \$20 Copay | 80% |
| | Specialist Office Visit | \$20 Copay | 80% |
| | Diagnostic Xray | \$20 copay/\$40 hospital OP | 80% Office, 90% facility |
| | Diagnostic Laboratory | \$20 copay/\$40 hospital OP | 80% Office, 90% facility |
| | Diagnostic Complex Imaging | \$20 copay/\$40 hospital OP | 80% Office, 90% facility |
| | Radiation | 100% | 80% Office, 90% facility |
| | Chemotherapy | 100% | 80% Office, 90% facility |
| Emergency Medical Care | Urgent Care Provider | \$20 copay | 80% |
| | Emergency Room | \$70 Copay (waived if admitted) | |
| | Emergency Use of Ambulance | 100% | \$35 copay |
| Hospital Care | Inpatient Coverage | 100% | 90% |
| | Inpatient Maternity Coverage | 100% | 90% |

| | | Coverage Terms | |
|-------------------------------------|--|---|-----------------------------------|
| Benefit Category | | In Network | Out of Network |
| Outpatient Hospital Expenses | Outpatient Surgery | \$60 copay | 80% Office, 90% facility |
| | Outpatient Pathology | \$40 if not part of surgery, otherwise \$0 | 80% Office, 90% facility |
| | Outpatient Surgery Non-Hospital Facility | \$30 Copay | 80% Office, 90% facility |
| Mental Health Services | Inpatient | 100% | 90% |
| | Outpatient | \$0 copay for 1st 3 visits, then \$20 copay | 80% |
| Substance Abuse Services | Inpatient | 100% | 90% |
| | Outpatient | \$20 Copay | 80% |
| Other Services | Skilled Nursing | 100% | 90% |
| | Hospice Care | No Copay for up to 365 days; no coverage for Medicare eligible | 90% |
| | Travel Reimbursement (Centers of Exc) | Facility over 100 miles (200 air) from home | |
| | Outpatient Speech Therapy | \$20 Copay | 80% |
| | Outpatient PT and Occup therapy | \$20 Copay | 80% after Physical Med deductible |
| | Chiropractic | \$20 Copay | 80% after Physical Med deductible |
| | Durable Medical Equipment | 100% | 50% |
| | Prosthetics | 100% | 50% |
| | Orthotics | 100%, \$500 Limit | 50% |
| | Diabetic Supplies | 100% | 50% |
| | Wigs | \$1,500 Lifetime maximum | |
| | Hearing Aids | Up to \$1,500 per hearing aid per ear every 4 years (every 2 years for children under 12) | |
| Family Planning | Infertility Treatment | \$20 copay | 80% |
| | | \$50,000 Lifetime Limit | |
| Prescription Drug | Retail | \$5/\$25/\$45–30 day supply; \$10/\$50/\$90 31–90 day supply | |
| | Mail Order | \$5/\$50/\$90 31–90 day supply | |

Table 2: University College and Employee/Retiree Cost Sharing Arrangements

Collective Bargaining Agreement 1

| Rate Tier | Employee/Retiree Monthly Amount |
|----------------------------------|---------------------------------|
| Single | \$25 |
| Family | \$75 |
| Medicare primary individual | \$10 |
| Medicare primary family | \$20 |
| Family with one Medicare primary | \$65 |

Collective Bargaining Agreement 2

| Rate Tier | Employee/Retiree Percentage |
|----------------------------------|-----------------------------|
| Single | 5% |
| Family | 10% |
| Medicare primary individual | 5% |
| Medicare primary family | 10% |
| Family with one Medicare primary | 10% |

Collective Bargaining Agreement 3

| Rate Tier | Employee/Retiree Percentage |
|----------------------------------|-----------------------------|
| Single | 10% |
| Family | 20% |
| Medicare primary individual | 10% |
| Medicare primary family | 20% |
| Family with one Medicare primary | 20% |

Collective Bargaining Agreements 4 and 5

All rate tiers have a 5% employee and 50% retiree cost sharing arrangement

Table 3: University College Health Care 2018 Cost¹

| Rate Tier | Count | Monthly Rates | Annual Cost |
|----------------------------------|--------------|---------------|---------------------|
| Single | 960 | \$1,019.94 | \$11,797,709 |
| Family | 2,256 | \$2,333.49 | \$63,172,241 |
| Medicare primary individual | 430 | \$455.11 | \$2,348,368 |
| Medicare primary family | 450 | \$1,203.80 | \$6,500,520 |
| Family with one Medicare primary | 170 | \$1,768.64 | \$3,608,026 |
| Total | 4,266 | | \$87,426,864 |

Table 4: Retiree Rate & Cost Comparison

| Rate Tier | Count | State Health Plan Monthly Rates | State Health Plan Annual Cost | Separate Plan Monthly Rates | Separate Plan Annual Cost |
|-----------------------------------|--------------|---------------------------------|-------------------------------|-----------------------------|---------------------------|
| Non Medicare Retiree: | | | | | |
| Single | 30 | \$1,019.94 | \$367,178 | \$1,466.93 | \$528,095 |
| Family | 178 | \$2,333.49 | \$4,984,335 | \$3,356.13 | \$7,168,694 |
| Medicare Primary Retiree: | | | | | |
| Single | 430 | \$455.11 | \$2,348,368 | \$290.81 | \$1,500,580 |
| One Medicare, One Non Medicare | 110 | \$1,768.64 | \$2,334,605 | \$1,757.74 | \$2,320,217 |
| One Medicare, Non Medicare Family | 41 | \$1,768.64 | \$870,171 | \$2,975.71 | \$1,464,049 |
| Two Medicare | 450 | \$1,203.80 | \$6,500,520 | \$581.62 | \$3,140,748 |
| Two Medicare, One Non Medicare | 17 | \$1,203.80 | \$245,575 | \$2,048.55 | \$417,904 |
| Two Medicare, Non Medicare Family | 2 | \$1,203.80 | \$28,891 | \$3,266.52 | \$78,396 |
| Total | 1,258 | | \$17,679,643 | | \$16,618,683 |
| (Savings)/Cost | | | | | (\$1,060,960) |

¹ Total cost including employer/retiree contributions